

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL

REAL 215 / 724
Urban Real Estate Economics
Spring 2015

Professor: Dr. Susan Wachter
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Hours: Tuesday 6:00 pm – 7:00 pm

TA: Matthew DeGagne
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Office: Vance Hall, Room 432
Hours: Tuesday 10:00 am – 12:00 pm

Class Meeting: Monday and Wednesday 12:00-1:30 pm
Huntsman Hall G50

Course Materials: Class readings can be found in the Course Packet available at www.study.net or on the course Canvas site. *All readings are required, unless otherwise noted.*

Assignments: There are several homework assignments. The purpose of these is to review course material and prepare students for the midterm and second exam. These assignments will be marked with a zero, check, or check plus. In addition, there is a Market Analysis Project which will be discussed in class. It will require forming project groups of 4-5 students.

Grades:	First Exam	25%
	Second Exam	25%
	Market Analysis Project	20%
	Project Presentation	10%
	Homework Exercises	10%
	Class Participation	10%

I. INTRODUCTION

- Class 1 – Wed 1/14 Property Markets: A Micro and Macro Approach
DiPasquale and Wheaton, *Ch. 2 (BP#2)*
- Mon 1/19 **NO CLASS (Martin Luther King Jr. Day)**
- Class 2 - Wed 1/21 Why Cities Exist and Why the World is Becoming Urban
Mills and Hamilton, (*pp.7-20; rest optional*) (BP#3)
O’Sullivan, *Ch. 2 (pp. 17-24) (BP#4), Ch. 3 (pp.45-52, 57-63) (BP#5)*
Moretti (*pp. 121 – 144) (BP#1)(optional)*
Lin, *Geography, History, Economies of Density, and the Location of Cities (canvas)*
(*optional*)
Duranton, *Urban Evolutions: The Fast, the Slow, and the Still (canvas) (optional)*

II. REAL ESTATE MARKET DRIVERS

- Class 3 – Mon 1/26 Real Estate Markets: A Macro Approach
Problem Set #1 Introduced
DiPasquale and Wheaton, *The Property and Capital Markets, Chapter 1 (BP#6)*
Wachter and Kroll, *Simple Analytics of Equilibrium and Disequilibrium, (pp. 1-17)*
(BP#7)
- Class 4 – Wed 1/28 Real Estate Markets: Outlook
Guest Speaker: Steven Cochrane
Cochrane et al., *Central Cities and Metropolitan Areas: Manufacturing and Nonmanufacturing Employment as Drivers of Growth (canvas)*
- Class 5 – Mon 2/2 Real Estate Markets: Dynamics

Mills and Hamilton, *Chapter 10 (p. 201) (BP#9)*
Pozdena, *Chapter 2 (BP#8)*
Gyourko and Saiz, *Construction Costs (canvas)*

III. URBAN LAND RENT AND LAND USE PATTERNS

- Class 6 – Wed 2/4 Land Value and Regional Growth Drivers
Problem Set #1 Due Today before class on canvas
Mills and Hamilton, *Chapter 5 (pp 85-91) (BP#10)*
- Class 7 – Mon 2/9 Density and Property Values
Problem Set #2 Introduced
DiPasquale and Wheaton, *The Urban Land Market: Rents and Prices, Ch. 3 (BP#11)*
Mills and Hamilton, *Chapter 6 (pp. 96-112, 121-123) (BP#12)*
O’Sullivan, *Ch. 6 (pp.127-145) (BP#14)*
- Class 8 – Wed 2/11 Suburbanization of Population and Employment
Kain, *The Journey to Work as a Determinant of Residential Location (BP#15)*
Wheaton, *Income and Urban Residence: An Analysis of Consumer Demand for Location (BP#16)*
- Class 9 – Mon 2/16 Land Rents, Value, and Urban Growth
Problem Set #2 Due Today before class on canvas

Voith and Wachter, *Urban Growth and Housing Affordability* (**canvas**)

IV. REAL ESTATE MARKET ANALYSIS AND APPRAISAL

- Class 10 – Wed 2/18 Appraisals, Market Feasibility Analysis, and Market Metrics
Appraisal Institute, *Understanding the Appraisal* (**canvas**)
Linneman, *Real Estate Finance and Investment: Risk and Opportunities*, (pp. 30-31),
Ch. 7 (BP#17), and Ch. 9 (BP#18)
- Class 11– Mon 2/23 Market Real Estate Prices: Indexes and Models
Guest Speaker: Kevin Gillen
Nagaraja, Brown, and Wachter, *Repeat Sales House Price Index Methodology* (**canvas**)
Eurostat Report, *Handbook on Residential Property Prices Indices (RPPIs)* (**canvas**)
- Class 12 – Wed 2/25 Market Analysis and Commercial Real Estate Cycles
Introduction of Project and Assignment Due before class on canvas
Guest Speaker: Alan Feldman
Mueller, *Using Market Cycles in Portfolio Management Strategies* (BP#21)
- Class 13 – Mon 3/2 **Review Session**
- Class 14 – Wed 3/4 **Midterm Examination (in class)**

V. REAL ESTATE MARKET CYCLES

- Mon 3/9 **NO CLASS (Spring Break)**
- Wed 3/11 **NO CLASS (Spring Break)**
- Class 15 – Mon 3/16 Commercial Real Estate Market Analysis
Problem Set #3 Introduced
Moody and Wachter, *Forecast of Real and Nominal Rental Rates for Metropolitan Office Markets* (BP#19)
Ambrose, Linneman, and Wachter, *The Wharton Real Estate Index* (BP#20)
- Class 16 – Wed 3/18 Market Analysis and Commercial Real Estate Cycles
Guest Speaker: Glenn Mueller
Mueller, *Using Market Cycles in Portfolio Management Strategies* (BP#21)
Current Market Cycles (**canvas**)
- Class 17 – Mon 3/23 The 2008 Real Estate Crisis: Why Financial Markets Matter
Pavlov and Wachter, *Robbing the Bank* (**canvas**)
Malpezzi and Wachter, *The Role of Speculation in Real Estate Cycles* (BP#22)
Pavlov and Wachter, *Real Estate Crashes and Bank Lending* (**canvas**)
Herring and Wachter, *Bubbles in Real Estate Markets* (**canvas**)
Levitin and Wachter, *Explaining the Housing Bubble* (**canvas**)
Blake and Muellbauer, *Imbalances in EU Housing Markets, Economic Outlook* (**canvas**)

VI. PUBLIC POLICY AND REAL ESTATE MARKETS

- Class 18 – Wed 3/25 Federalism and Devolution: The Impacts on Real Estate Markets
Problem Set #3 Due Today before class on canvas

O'Sullivan, *Ch. 17, (pp 442-443) (BP#30)*
Tiebout, *A Pure Theory of Local Expenditures (BP#26)*

Class 19 – Mon 3/30 Land Use Controls, Zoning, Impact Fees, and Sprawl
O'Sullivan, *Ch. 9, (pp. 240-242) (BP#27)*
Pollakowski and Wachter, *The Effects of Land Use Constraints on Housing Prices (BP#28)*
Fischel, *Do Growth Controls Matter? (BP#29)*
World Bank Report, Reforms in Land Use and Local Finances Will Help Make China's Urbanization More Efficient, (canvas)

Class 20 – Wed 4/1 Transportation, Taxes, and Urban Development
Guest Speaker: Dick Voith
Abbot, Richmond, Fischel, *The Portland Region: Where City and Suburbs Talk to Each Other - and Often Agree (BP#23)*
Boarnet and Haughwout, *Do Highways Matter? (BP#24)*
Voith, *The Determinants of Metropolitan Growth Patterns, (pp. 71, 72, 76 – 80) (BP#25)*

Class 21 – Mon 4/6 The Future of Cities
Duranton, *The Growth of Cities in the US, (canvas)*
Glaeser, *Why Growth, (canvas) (optional)*
Porter, *Location, Competition, and Economic Development (canvas) (optional)*
Sassen, *The Global City: Introducing a Concept (canvas) (optional)*
Knoll et al. *No Price Like Home: Global House Prices, 1870-2012, (pp.1-22, 27-32) (canvas)*

Class 22 – Wed 4/8 Guest Speaker: Bob Toll

Class 23 – Mon 4/13 Project Presentations-Preliminary
Case Write-up (submitted by group) Due Today before class on (canvas)

Class 24 – Wed 4/15 Guest Speaker: Bobby Turner
Arena and Oberholzer-Gee, *Canyon Johnson Urban Fund (canvas)*

Class 25 – Mon 4/20 **Review Session**

Class 26 – Wed 4/22 Commercial Real Estate Price Indexes

Class 27 – Mon 4/27 Project Presentations

Class 28 – Wed 4/29 **Second Examination (in class)**

Wed 5/6 – **FINAL PAPER DUE on (CANVAS)**